



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77197; File No. SR-NYSEArca-2016-34)

February 19, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 7.31P(a)(2)(C) Relating to Repricing Events

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”),² and Rule 19b-4 thereunder,³ notice is hereby given that on February 19, 2016, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 7.31P(a)(2)(C) (Orders and Modifiers) relating to repricing events. The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rule 7.31P(a)(2)(C) relating to repricing events that occur upon arrival of an Intermarket Sweep Order designated Day ("Day ISO").

Rule 7.31P(e)(3)(C) provides that a Day ISO, if marketable on arrival, will be immediately traded with contra-side interest in the NYSE Arca Book up to its full size and limit price and any untraded quantity of a Day ISO will be displayed at its limit price and may lock or cross a protected quotation that was displayed at the time of arrival of the Day ISO.

Accordingly, under current rules, on arrival, a Day ISO may be displayed at a price that locks or crosses a protected quotation.

Under Rule 7.36P(b)(3), if arrival of a Day ISO would result in less than a round lot being displayed, such order would be displayed on the Exchange's proprietary data feeds, but it would not be considered a new Exchange BBO or be considered a protected quotation. In addition, under Rule 7.38P(b)(1), the working price of an odd-lot quantity of a Day ISO will depend on where the limit price is in relation to the PBBO, and whether the PBBO is crossed.

Separately, Rule 7.31P(a)(2)(C) describes how the Exchange re-prices resting orders to buy (sell) to avoid locking or crossing a protected quotation of another market by assigning a display price one MPV below (above) the PBO (PBB) and a working price equal to the PBO (PBB). The rule further specifies that "[i]f a Day ISO to buy (sell) arrives before the PBO (PBB) is updated, such re-priced Limit Order(s) to buy (sell) will be repriced to the lower (higher) of

the display price of the Day ISO or the original price of the Limit Order(s).” Accordingly, current rules specify that arrival of a Day ISO results in a repricing event for resting orders.

The Exchange proposes to amend Rule 7.31P(a)(2)(C) to specify how orders are repriced under that paragraph due to the arrival of a Day ISO. Specifically, the Exchange proposes to specify that the repricing event for resting orders under this Rule due to the arrival of a Day ISO to buy (sell) would occur only if the arriving Day ISO would result in at least a round lot being displayed as a new BB (BO). In other words, the arrival of the Day ISO must result in a new protected quotation at the Exchange before any resting orders are repriced.

The Exchange also proposes to specify what would occur if the arriving Day ISO would not result in at least a round lot being displayed. When resting orders have been repriced under Rule 7.31P(a)(2)(C), if a Day ISO to buy (sell) arrives that would result in less than a round lot being displayed, the Exchange proposes that such Day ISO also be assigned a display price one MPV below (above) the PBO (PBB) and a working price equal to the PBO (PBB). This proposed treatment of odd lot Day ISOs is similar to treatment of odd lots under Rule 7.38P(b)(1), however, the Exchange proposes that under Rule 7.31P(a)(2)(C), even if the PBBO is crossed, the arriving odd lot quantity of the Day ISO to buy (sell) be assigned a working price equal to the PBO (PBB) and not equal to the PBB (PBO). The Exchange proposes this difference from Rule 7.38P(b)(1) so that all orders repriced pursuant to Rule 7.31P(a)(2)(C), including arriving Day ISO odd lots, are treated similarly.

Finally, the Exchange proposes to move the last sentence of Rule 7.31P(a)(2)(C), without change, to be the second sentence of that rule.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act

of 1934 (the “Act”),⁴ in general, and furthers the objectives of Section 6(b)(5),⁵ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

Specifically, the Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system by promoting transparency in Exchange rules by providing specificity regarding when resting orders would be repriced due to the arrival of a Day ISO. Specifically, the proposed rule change would specify that an arriving Day ISO needs to result in a round lot or more being displayed as a new Exchange BBO before resting orders would be repriced under Rule 7.31P(a)(2)(C). Rule 7.31P(a)(2)(C) already provides that resting orders would be repriced upon arrival of a Day ISO, and the amendment provides specificity that before resting orders may be repriced, the arrival of the Day ISO needs to result in a new protected quotation.

The proposed rule change would further remove impediments to and perfect the mechanism of a free and open market and a national market system by specifying that if the arrival of the Day ISO to buy (sell) would not result in a round lot or more being displayed and thus would not result in a repricing event for resting orders, the Day ISO would instead be assigned a display price of one MPV below (above) the PBO (PBB) and a working price equal to the PBO (PBB). This proposed rule text is similar to Rule 7.38P(b)(1), which already provides that an arriving odd lot order to buy (sell) will be assigned a working price based on the PBBO.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

The Exchange proposes a difference for how an odd lot quantity of an arriving Day ISO would be priced under Rule 7.31P(a)(2)(C) as compared to Rule 7.38P(b)(1). Specifically, the Exchange believes that the proposed pricing of an arriving odd-lot sized Day ISO under Rule 7.31P(a)(2)(C) would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide for a consistent manner for repricing orders under Rule 7.31P(a)(2)(C), regardless whether they were resting orders or arriving odd lot quantity of a Day ISO. Providing for different treatment of an arriving Day ISO that would result in the display of an odd-lot quantity is consistent with Regulation NMS, which permits exchanges to establish their own rules for the handling of odd lot orders.⁶ The Exchange believes that the proposed amendments would promote transparency in Exchange rules regarding the manner by which the Exchange reprices resting orders based on the arrival of a Day ISO.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue but rather to make amendments to Rule 7.31P(a)(2)(C) relating to repricing events due to the arrival of a Day ISO.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii)

⁶ See Commission Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and 610 of Regulation NMS, April 4, 2008 update, Question 7.03, available at <https://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm>.

become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and Rule 19b-4(f)(6) thereunder.⁸

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act⁹ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁰ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange stated that it anticipates beginning the migration of symbols to Pillar on February 22, 2016. The Commission believes the waiver of the operative delay is consistent with the protection of investors and the public interest because it will permit the Exchange to amend Rule 7.31P(a)(2)(C) relating to the repricing of certain orders prior to the beginning of trading on Pillar. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.¹¹

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

⁹ 17 CFR 240.19b-4(f)(6).

¹⁰ 17 CFR 240.19b-4(f)(6)(iii).

¹¹ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2016-34 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2016-34. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2016-34, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Brent J. Fields
Secretary

¹² 17 CFR 200.30-3(a)(12).

